

**CITY OF HARRISONBURG
CAPITAL IMPROVEMENTS PROGRAM
FISCAL YEAR 2012-2013 THROUGH FISCAL YEAR 2016-2017**

INTRODUCTION

Purpose

A Capital Improvements Program is a multi-year production and scheduling of capital projects of \$30,000 or greater with an appropriate financing plan to fund these projects. Harrisonburg's Capital Improvements (CIP) is prepared annually in an effort to facilitate planning and setting priorities among capital improvement needs over a subsequent five-year period. The CIP is designed to identify projects for all City departments for which funding has already been committed or is being sought for some time within the five-year planning period.

Planning for capital equipment and improvements is a matter of prudent financial management. Large, non-recurring capital outlays require special planning for several reasons. First, special planning is needed to ensure that assets are acquired in time to meet specific needs. Also, careful planning can seek to spread costs more comfortably over several years and avoid a large peak in expenditures during a single year. Preparation of a comprehensive CIP is also a way in which the City can demonstrate its commitment to the Mission Statement and to its goals.

It should be stressed that the CIP is not a budget but a planning tool. The actual commitment of funds for any capital item comes with the approval of the annual budget for each fiscal year. However, the CIP should serve as an important planning tool for formulating the capital portion of the annual budget. All of the proposed projects within the CIP will not likely be funded exactly as outlined due to budgetary restraints. Nevertheless, all of the projects are important and need to be included in the planning document in order to have clear vision of the long term needs of the City.

Finally, it should be stressed that the CIP is not a static plan. It is a part of annual planning and programming. Each year, another year will be added to the planning period in order to maintain the five year forecast horizon. Also, each year, costs and needs will need to be reevaluated. The goal of this process is for the City to continue to meet its capital needs in a timely manner and to maintain a tradition of strong responsibility.

Format

Each individual capital project is described on two forms—a Capital Project Request Form and a Project Financial Form. The Capital Project Request Form identifies each project as belonging to a particular department. The Project Financial Form itemizes anticipated project costs along with a recommended fund schedule. Estimates of the annual operating cost are also presented. The requesting department provides a justification for each project on the Capital Project Request Form. Along with its narrative description, the department has marked any of a series of project

justification codes that pertain to the project. These justifications codes are described below:

Justification Codes

Elaboration

- | | |
|-------------------------------|--|
| 1. Mandated | project is clearly and specifically required by a federal or state mandate or court ruling. |
| 2. Remove hazards | makes possible the removal of an obvious or potential hazard to public health or safety. |
| 3. Maintains existing service | permits and existing standard of service to be maintained where decreases in services would otherwise have been necessary. |
| 4. Increased efficiency | reduces operating costs. |
| 5. Increased revenues | makes possible a net gain in revenues available to the City. |
| 6. Improves existing service | makes possible an expansion or increase of an existing service of improvements in the standard of existing services. |
| 7. New service | makes possible the provision of a new service. |
| 8. Convenience | increases convenience or comfort. |
| 9. Other | (describe) |

All capital projects were closely reviewed by the CIP Committee (City Manager, Assistant City Manager, Director of Finance and the Director of Planning and Community Development) in conjunction with each department head. Each project was assigned one of five priority codes, shown under the project title on the Capital Project Request Form. The priority codes are described as follows:

Priority Code

Description

- | | |
|---|---|
| 1 | Absolutely required. |
| 2 | Highly desirable, affects efficiency and effectiveness. |
| 3 | Desirable |
| 4 | Marginally beneficial |
| 5 | Not justified |

Only projects rated by the CIP Committee at "3" or higher are included in the recommended Capital Improvements Program. Projects rated "1" and "2" are summarized separately to reflect the projects that will be given the highest budget priority. Also, based on the 5 year projection of estimated revenues and expenditure contained in the appendices, estimates of funds available for capital projects are at the bottom of the summary page for each major fund. The City will have a difficult time funding all of the number 1 and 2 projects given the current revenue stream.

Appendices

Following the presentation of the various capital projects by fund are separate appendices for the General fund, Water Fund, Sewer Fund, Transportation Fund and Steam Plant Fund. Each appendix carefully tracks the history of these funds regarding past revenue levels and past expenditure levels. This history, along with obligated debt service requirement, is the basis for a five year projection for each fund of new capital financing potential. There are many variables that could significantly increase or decrease the available funding. These projections are in the range of what can be reasonably expected and so they should be compared with the level of funding required to implement the recommended Capital Improvements Program.

Schedule

It is proposed that Planning Commission receive the CIP at its December meeting, when department heads will be available to answer questions. Planning Commission will develop its recommendation to City Council. It is anticipated that Council will receive Planning Commission's recommendation at a public hearing in January. Final adoption is scheduled for January 2012.